

Best Execution

Client Disclosure Statement

HBAP Hong Kong – Global Markets

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July 2021

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INTRODUCTION

The Hongkong and Shanghai Banking Corporation Limited is a member of the HSBC Group, the ultimate holding company of which is HSBC Holdings plc. Global Banking and Markets is a business line of the HSBC Group and provides financial solutions to government, corporate and institutional clients worldwide. **Global Markets (GM)** is the financial markets sales and trading division within Global Banking and Markets. It conducts business in various asset classes and products and services including equities products and services ("**Equities Products**"), foreign exchange and commodities products and services ("**FX and Commodities Products**") and fixed income products and services ("**Fixed Income Products**").

This Hong Kong GM Best Execution Client Disclosure Statement (**Statement**) provides information on HSBC Hong Kong GM's Best Execution Policy ("**HSBC HK GM's Best Execution Policy**"). If you have any questions about this Statement, HSBC HK GM's Best Execution Policy or HSBC's Best Execution Policies in other jurisdictions, please contact your HSBC representative.

The Hongkong and Shanghai Banking Corporation Limited (HBAP or HSBC) is a registered institution, authorised by the Hong Kong Monetary Authority under section 16(1) of the Banking Ordinance, and registered by the Securities and Futures Commission of Hong Kong ("**SFC**") for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 5 (advising on futures contracts) regulated activities.

Addressees of this Statement

This Statement is addressed to those clients of HSBC who deal directly with GM HBAP. References below to **HSBC, we** and **our**, and to **clients** and **you** and **your**, should be understood accordingly.

This Statement is not addressed to those clients of HSBC, including any institutional, corporate or individual clients, whose transactions are intermediated by other business lines of the HSBC Group and so do not deal directly with GM HBAP, even though GM HBAP may be involved in executing those transactions.

This Statement, and HSBC HK GM's Best Execution Policy, applies to clients of GM HBAP irrespective of their geographic location when transacting with GM HBAP in a product which is covered by this Statement.

For the applicable **Product Scope** in relation to Equities Products, FX and Commodities Products and Fixed Income Products, please refer to the **Appendices** to this Statement.

For the avoidance of doubt, to the extent that you maintain a trading relationship with GM HBAP, it will be on the basis that you have read, understood and accept this Statement and HSBC HK GM's Best Execution Policy.

Our Commitment

Irrespective of the scope of the best execution obligation, we are committed to being efficient, transparent and client focused in our sales to and servicing of clients and are open to discussing your precise execution requirements to see how we can accommodate them.

Further Information

This Statement should be read in conjunction with the Appendices to this Statement and the GM Terms of Dealing Information Notices in respect of Equities Products, FX and Commodities Products and Fixed Income Products as set out in the Appendices. These provide further information about the key aspects of the relationship between HSBC and our clients when dealing in GM products and our

handling of client transactions and requests (including details in respect of conflicts of interest which may arise as part of the relationship).

The GM Terms of Dealing Information Notices are available on the [HSBC Global Markets website](#).

The Service we provide to you

Our Capacity

Except where clients undertake transactions with GM HBAP acting in **an agency capacity in relation to Equities Products only**, or unless we specify otherwise for a particular transaction, we act solely in a principal capacity for our own account, and as an arm's length party in our transactions with you as specified in the relevant GM Terms of Dealing Information Notices.

When we transact with you we do so at the HSBC price

Unless we specify otherwise for a particular transaction, when we quote a price for a specified transaction in response to your request for quote ("**RFQ**") or when we accept from you an instruction to execute a specified transaction at a price specified by you (a "**Specific Instruction**"), the price that we quote for your consideration and the price at which we execute any transactions with you will at all times be at HSBC's price as explained in the relevant GM Terms of Dealing Information Notices.

HSBC's price is not necessarily the best price obtainable in the market at every point in time. Instead, it is a risk price reflecting various factors as explained in the relevant GM Terms of Dealing Information Notices.

Carve-out Situations

We carve out **specific** products and circumstances from our best execution obligation.

Please see the **Appendices** of this Statement for specific types of products and circumstances which we have concluded are carved out from our obligation to provide you with "*best execution*", as "*best execution*" is defined and specified in the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**SFC Code of Conduct**").

Overarching Principle

Under the SFC Code of Conduct, HSBC is required, when acting for or with clients, to execute client orders on the best available terms. This is our "*best execution*" obligation.

HSBC provides execution services in a manner consistent with the "*Overarching Principle*"; to discharge our best execution obligation by taking all sufficient steps to obtain the best available terms for our clients, and taking into account the Execution Factors (which are defined and discussed below), on a consistent basis.

Where the best execution obligation applies, the application of the Overarching Principle involves the exercise of commercial judgement in the context of available market information. It is neither a guarantee that the best price will be obtained nor a guarantee that the transaction will be executed in full.

This Overarching Principle does not mean that HSBC must obtain the best possible result for clients on every single occasion. Rather, it requires:

- verification on an on-going basis that our execution arrangements are effective throughout the different stages of the transaction execution process
- detection of potential deficiencies

- application of all appropriate remedial actions to such deficiencies

As a result of the diversity of markets in which we operate and of the transactions clients carry out, the steps we take to apply the Overarching Principle may vary.

DETERMINING CLIENTS' RELIANCE

HSBC has taken steps to identify the circumstances in which our clients place reliance on us to protect their interests when executing transactions, including having regard to guidance from the SFC and HKMA.

Where clients undertake transactions with GM HBAP acting in **an agency capacity in relation to Equities Products only**, we consider them reliant on HSBC to protect their interests with regards to those transactions.

In all other cases, since HSBC does not, in the ordinary course of its business, undertake transactions in an agency capacity, we determine whether a client is placing reliance on HSBC based on holistic consideration of elements related to pricing access, the relevant market and its practices and other relevant facts and circumstances, including:

- the nature of the product;
- the capacity in which HSBC is dealing with the client;
- whether the client initiated the relevant transaction;
- market practice, and whether there is a convention for clients to "*shop around*";
- the relative levels of transparency within the relevant market;
- any agreements between HSBC and the client; and
- the characteristics and categorisation of the client (as a professional investor or otherwise)

In the absence of such reliance, HSBC does not act on the client's behalf in respect of the activity concerned. As such - best execution is not applicable for any resulting transaction.

RFQs

Where HSBC operates on an RFQ basis or in the course of similar quote-driven activity, HSBC is required to assess whether the client is placing legitimate reliance on HSBC. For avoidance of doubt, even where we conclude that the client is placing legitimate reliance on HSBC in the context of RFQs, Clients should note paragraph titled "**When we transact with you we do so at the HSBC price**" above in relation to the service provided and HSBC's prices.

Specific Instructions

When a client gives us a Specific Instruction in relation to any transaction, we will follow that instruction as far as reasonably possible when executing the trade.

Please be aware that Specific Instructions may prevent HSBC from applying the Overarching Principle to the elements covered by the Specific Instructions, and potentially obtaining the best possible execution result for those elements. We will apply the Overarching Principle to any aspects of the transaction that are not covered by the Specific Instruction.

In the paragraph titled "**Carve-out Situations**" (which is set out in the Appendices), we identify specific products and circumstances which we have "*carved out*" from our best execution obligation, including for certain clients with whom we deal on an RFQ basis and from whom we receive Specific Instructions.

If clients are reliant on us and best execution is applicable, we seek to apply the Overarching Principle in a manner that takes into account the particular circumstances associated with the execution of the transaction concerned.

EXECUTION FACTORS

Where we determine that clients are reliant on us and our best execution obligation is applicable (even if applicable only to part of the transaction), we seek to apply the Overarching Principle in a manner that takes into account the particular circumstances associated with the execution of the transaction concerned.

In applying the Overarching Principle, HSBC takes into account the following **Execution Factors** (not listed in any particular order of priority):

- price
- costs payable by client as a result of the execution
- speed of execution and settlement
- likelihood of execution and settlement
- size of the transaction
- liquidity
- nature of the transaction
- any other consideration that is relevant to execution

The relative importance of each Execution Factor may vary from client to client, and from trade to trade. The Overarching Principle will therefore be applied through an assessment against multiple Execution Factors, and will also reflect commercial factors such as execution venue arrangements, and the fees and charges of HSBC.

In the normal course of our business, we generally consider that the most important Execution Factor is the price at which the transaction is executed. However, the application of the Overarching Principle is also subject to prevailing market conditions and our understanding of your preferences. Therefore, it is possible that there may be circumstances in which we conclude that other Execution Factors are as important, or more important, than price.

Execution criteria

In assessing the relative importance of the Execution Factors for a specific scenario, HSBC takes into account the market information available to us and characteristics of:

- the client (including whether the client is reliant on HSBC as described above)
- the type of interaction between you and HSBC
- the product(s)
- where relevant and applicable, the execution venues to which that order can be directed

We consider these together with any specific instructions provided by the client and such other criteria as we consider relevant to the application of the Overarching Principle.

Outcomes for clients may vary depending on our prioritisation of these Execution Factors in applying the Overarching Principle.

AFFILIATES, THIRD PARTIES AND CONNECTED PARTIES

If we have an affiliate, third party or connected party in the place in which the products concerned are traded, we may transmit the transactions to them for execution. This third party may be an entity

that is a member of the HSBC Group. Where best execution is applicable, we seek to apply the Overarching Principle when transmitting client transactions to affiliates, third parties or connected parties for execution.

In some instances, we make **exclusive** use of such affiliates, third parties and/or connected parties. We consider this use to be in the interest of clients because (amongst other things) certainty of execution is increased and communication is enhanced.

MONITORING

HSBC monitors the arrangements described in this Statement. In the case of transmission of client transactions, this includes monitoring affiliates, connected parties and other third parties involved in execution where best execution is applicable.

AMENDMENTS

HSBC may amend HSBC HK GM's Best Execution Policy and this Statement from time to time. When we make a material change, we publish an updated version.

The prevailing version is available on <https://www.gbm.hsbc.com/financial-regulation/>.

APPENDIX 1: EQUITIES PRODUCTS

Product scope

The contents of the Statement apply to the following Equities Products:

- (a) equities/shares
- (b) convertible bonds
- (c) exchange traded funds
- (d) listed derivatives/futures with equities/shares underlying
- (e) structured products with equities/shares, convertible bonds, exchange traded funds and/or non-exchange traded funds underlying
- (f) derivatives with equities/shares, convertible bonds, exchange traded funds and/or non-exchange traded funds underlying

Terms of Dealing

GM Terms of Dealing Information Notice for Equities Products: [click here](#)

Agency Trading

We act in an agency capacity in relation to a transaction only if expressly specified in the relevant client documentation. Otherwise we act solely in a principal capacity for our own account.

Execution Venues

For Equities Products (a) – (d) above, we have identified and use the execution venues which enable HSBC to consistently obtain the best available terms for the execution of client transactions. We may use other venues where it is appropriate to do so. As new execution venues are introduced, HSBC may monitor their performance and connect only if their addition will enhance our best execution performance.

HSBC HK GM's Best Execution Policy requires us not to discriminate unfairly between execution venues when providing execution services.

We will regularly assess the available execution venues. In doing this we may take into account (in respect of the venue concerned) these factors:

- quality of liquidity available for the financial instrument concerned
- quality of execution (including, price, cost and speed)
- quality of the operator of the execution venue
- quality of the execution venue (including reliability, continuity of trading and creditworthiness)
- quality of any related clearing and settlement facilities

We take the above together with such other factors as may be relevant to the application of the Overarching Principle.

In particular, the steps we take when applying the Overarching Principle may vary significantly from transaction to transaction depending on whether (for example) we execute with you a customised transaction, compared with a situation where we execute for you a share purchase order on a regulated market. In certain circumstances, the steps available for us to take are limited. For example, there may only be a single available execution venue.

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- a) "institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct);
or
- b) "corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied,

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

Securities Financing Transactions

In respect of securities financing transactions (for example, repurchase or "repo" transactions, total return swaps, share or other securities forwards and similar securities financing transactions) entered into by us with you on a principal basis, we consider that best execution is generally not owed.

This is because the nature of such transactions involves the following characteristics:

- (a) we are approached and requested by you to enter into these transactions for the purposes of providing you with funding;
- (b) the nature of the market is such that you will generally have multiple potential counterparties and will likely shop around to find availability, and the best rate in respect of the securities subject to the agreement;
- (c) these transactions are priced according to counterparty-specific factors such as costs of capital, liquidity and default risk which are subject of significant negotiation; and
- (d) while there is not a single source of pricing data in the market, you will have the ability to access information with respect to rates from other potential counterparties and, in respect of more commoditized transactions, from third party data providers.

As a result, we believe you are not relying on us in relation to such transactions.

APPENDIX 2: FOREIGN EXCHANGE AND COMMODITIES PRODUCTS

Product Scope

The contents of the Statement apply to the following FX and Commodities Products:

- (a) foreign exchange forwards;
- (b) foreign exchange futures;
- (c) foreign exchange non-deliverable forwards;
- (d) foreign exchange options;
- (e) other foreign exchange derivatives;
- (f) cash settled commodity forwards;
- (g) commodity futures; and
- (h) cash settled commodity options.

As part of our practice of providing clients with a consistently high quality service, we also endeavour to apply the principles of this Statement when transacting in FX spot products, even though FX spot products are not in scope of the SFC best execution requirements.

Terms of Dealing

GM Terms of Dealing Information Notice for FX and Commodities Products: [click here](#)

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- a) "institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct);
or
- b) "corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied,

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

APPENDIX 3: FIXED INCOME PRODUCTS

Product Scope

The contents of the Statement apply to the following Fixed Income Products:

- (a) sovereign bonds;
- (b) credit bonds;
- (c) structured notes;
- (d) listed futures contracts with a fixed income security underlying; and
- (e) derivatives with a fixed income security underlying.

Fixed Income products such as currency and interest rate swaps, and derivatives where underlying is not a "security" are generally outside the scope of this Statement.

Terms of Dealing

GM Terms of Dealing Information Notice for Fixed Income Products: [click here](#)

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- a) "institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct);
or
- b) "corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied,

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

Securities Financing Transactions

In respect of securities financing transactions (for example, repurchase or "repo" transactions, total return swaps, bond forwards and similar securities financing transactions) entered into by us with you on a principal basis, we consider that best execution is generally not owed.

This is because the nature of such transactions involves the following characteristics:

- a) we are approached and requested by you to enter into these transactions for the purposes of providing you with funding;
- b) the nature of the market is such that you will generally have multiple potential counterparties and will likely shop around to find availability, and the best rate in respect of the securities subject to the agreement;
- c) these transactions are priced according to counterparty-specific factors such as costs of capital, liquidity and default risk which are subject of significant negotiation; and
- d) while there is not a single source of pricing data in the market, you will have the ability to access information with respect to rates from other potential counterparties and, in respect of more commoditized transactions, from third party data providers.

As a result, we believe you are not relying on us in relation to such transactions.